

uMFOLOZI LOCAL MUNICIPALITY



**Annual Budget
2015/2016 - 2017/2018**

**FINAL Medium-Term
Revenue & Expenditure
Framework (MTREF)**

Table of Contents

Table of Contents	2
Glossary	3
PART 1 – ANNUAL BUDGET	6
Section 1 – Mayor’s Budget Speech.....	6
Section 2 – Budget Related Resolutions	7
Section 3 – Executive Summary	8
Section 4 – Annual Budget Tables	21
Section 6- Budget Related Policies.....	35
PART 2 – SUPPORTING DOCUMENTATION	44
Section 5 – Overview of Annual Budget Process	44
Section 6 – Overview of Alignment of the Annual Budget with the Integrated Development Plan	45
Section 9 – Overview of Budget Assumptions.....	50
Section 10 – Overview of Budget Funding.....	53
Section 11 – Expenditure on Allocations and Grant Programmes	55
Section 12 – Allocations and Grants made by the Municipality.....	58
Section 13 – Councillor Allowances and Employee Benefits	58
Section 14 – Monthly Targets for Revenue, Expenditure and Cash Flow	58
Section 19 – Legislation Compliance Status	63
Section 20 – Other supporting documents.....	69

Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP – Expanded Public works Programme.

FFC – Financial and Fiscal Commission.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS – Geographic Information System.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GGP – Gross Geographic Product

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

ISDF – Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MEC – Minister in Executive Committee (Province).

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC – Municipal Public Accounts Committee.

MSAC – Municipal Service Accessibility Charge. The municipal charge levied on the basic government electricity charge for municipal services available to the household.

NERSA – National Electricity Regulator of South Africa.

NT – National Treasury.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M – Repairs and maintenance on property, plant and equipment.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM – Supply Chain Management.

Unauthorised expenditure – Generally, is spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In uMfolozi Municipality this means at directorate level.

PART 1 – ANNUAL BUDGET

Section 1 – Mayor’s Budget Speech

The Mayors report will be included once the Honourable Mayor has presented her 2015/2016 Final budget Speech before Council on Thursday, 26 March 2015.

BUDGET SPEECH BY CLLR S.W. MGENCE THE MAYOR OF uMFOLOZI LOCAL MUNICIPALITY

GOOD AFTERNOON TO THE HONOURABLE SPEAKER CLLR MFUSI, HONOURABLE DEPUTY MAYOR CLLR NTSHANGASE, HONOURABLE CLLRS, HONOURABLE MEMBERS OF EXCO AND COUNCIL, SENIOR OFFICIALS, MEMBERS OF STAFF AND OFFICIALS AND MEMBERS OF THE MEDIA PRESENT TODAY I HUMBLY GREET YOU. I would like to take this opportunity to salute AMAKHOSI under the jurisdiction of our operations as uMfolozi Municipality, INKOSI UMTHIYANE, INKOSI UMTHEHWA, INKOSI UMBONAMBI NGIYAZITHOBA EMAKHOSINI.

This day marks 4th year of us in the office as a new administration of the municipality which means one year and a day in office, we are starting the second year in office as we end the first year in this office. We are committed to good governance.

It is my humble honour and sincere thanks to all of you by allowing me to present to you the uMfolozi Local Municipality Draft Budget for 2015/2016 financial year in compliance with the regulations of the Municipal Finance Management Act (MFMA), circulars and all legislative requirements. These circulars provide guidance to all Municipalities and Municipal entities for the preparation of their 2015/16 budgets and medium term revenue and expenditure framework.

THE MUNICIPAL FINANCE MANAGEMENT ACT 2003 SECTION 16(2)

- Requires the Mayor to present the Annual Budget at a Council Meeting;
- This must be done at least 90 days prior to the start of the next Budget Year

PRESENTATION

The 2015/16 draft Budget is presented to Council after it has been presented to the Portfolio Committee and to Executive Committee (Exco) which was held on:

- 24 March 2015 Portfolio Committee
- 27 March 2015 Executive Committee

MAJOR POINTS OF EMPHASIS

- Education and Training;
- Creation of descent jobs;
- Rural development;
- Fight crime and corruption;
- Health

Key focus area

WORKERS

They are a key resource in terms of achieving service delivery targets it is therefore their right to negotiate for salary increase. We hope and believe that this process will be smooth.

WATER SUPPLY

We have a huge challenge in terms of water supply in our communities, although it is known that this is Uthungulu function but our communities do not know that what they want is water finish and klaar.

EXTRUSIVE CHALLENGES

Our budget is constrained on top of that we are 100% externally funded since our municipality collect very limited revenue from a large society of citizens.

RESPECTING THE VOTERS

In all our operations we will always respect the voters which in turn are our communities, we are the servants of the people our communities.

KEY STRATEGIES

Our budget has been aligned to the 11 national key performance areas hence the break down is informed by those key strategies.

ALLOW ME TO TAKE SOME WISE WORDS FROM INSPIRATIONAL PEOPLE

“Living a life of integrity is one of the greatest missions we can undertake” by GREG ANDERSON.

I WOULD LIKE TO CONGRATULATE THIS COUNCIL FOR BEING ABLE TO FINALISE THIS EXERCISE OF A BUDGET. I WISH YOU WELL IN THE NEXT FINANCIAL YEAR, GOD WILL BE KEY IN ALL YOUR RESPONSIBILITIES. 2012/2013 BUDGET WILL BE ONE OF ITS KINDS.

THANK YOU

Section 2 – Budget Related Resolutions

uMfolozi Local Municipality

MTREF 2015/16

The resolutions approved by Council with the final adoption of the budget in May will be:

RESOLVED:

[a]. That the annual budget of uMfolozi Local Municipality for the financial year 2015/2016; and indicative for the two projected years 2016/17 and 2017/18, as set-out in the schedules contained in Section 4, be approved:

1.1 [Table A2](#): Budgeted Financial Performance (expenditure by standard classification R165 million)

1.2 [Table A3](#): Budgeted Financial Performance (expenditure by municipal vote R 165 million)

1.3 [Table A4](#): Budgeted Financial Performance (revenue by source R165 million including capital transfers and contributions)

1.3 [Table A5](#): Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding (R 63,257 million)

1.4 The medium-term expenditure and revenue framework for 2015/16 to 2017/18 be approved

1.5 The A1-A10 schedules be approved.

1.6 The supporting schedules S1-S37 be approved

1.7 The 2015/16 tariffs be approved

1.8 The Accounting officer or his delegate signs the quality certificate

[b]. Property rates reflected in [Annexure 3](#) and any other municipal tax reflected in Annexure 3 are imposed for the budget year 2015/2016.

[c]. Tariffs and charges reflected in [Annexure 3](#) are approved for the budget year 2015/2016.

[d]. Council notes the amended Integrated Development Plan adopted on 30 May 2015 reflected as summarised in [Section 6](#).

[e]. The measurable performance objectives reflected in [Section 7](#) are approved for the budget year 2015/2016.

[f]. The measurable performance objectives for each vote introduced in [Section 15](#) and detailed in Annexure 8: 'Service Delivery and Budget Implementation Plan' are noted for the budget year 2015/2016.

Section 3 – Executive Summary

Introduction

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process.

Given the constraints on the revenue side tough decisions have had to be made which impacted improvement of service delivery. However the economic downturn has severely affected businesses and the residents of our area. We have therefore had to strategize and cut costs to channel our limited resources to where they are most needed.

This budget continues to address the challenges the uMfolozi communities is facing. The budget therefore follows a conservative approach to rates and tariffs.

The new budget for uMfolozi Local Municipality amounts to some R165 million in 2015/16, being R63,257 million for capital and R101,74 million for operating. The budget approved for 2014/15 was R 135 million respectively being R 74,54 million for operational and R 60,65 million for capital, this new budget represents an increase of 18% from the 2014/15 approved budget.

Consolidated Overview of the 2014/2015 MTREF

Description	Budget Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework				
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Variance	Variance %	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands									
Total Revenue (excluding capital transfers and contributions)	104 201	–	104 201	104 201	131 618	27 417	26%	115 282	113 128
Total Expenditure	74 538	483	74 538	74 538	101 743	27 205	36%	106 732	108 374
Surplus/(Deficit)	29 663	(483)	29 663	29 663	29 875	212	1%	8 550	4 753
Transfers recognised - capital	32 579	–	32 579	32 579	33 382	803	2%	34 718	38 619
Contributions recognised - capital & contributed assets	(60 652)	–	(60 652)	(60 652)	(63 257)	(2 605)	4%	(43 268)	(43 372)
Surplus/(Deficit) after capital transfers & contributions	1 590	(483)	1 590	1 590	(0)	(1 590)	-100%	0	0
Share of surplus/ (deficit) of associate	–	–	–	–	–			–	–
Surplus/(Deficit) for the year	1 590	(483)	1 590	1 590	(0)			0	0

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, Gazette 32141, issued 17 April 2009, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from service charges forms a minimal percentage of the internally generated funds of the Municipality, that being the interest on investments and service charges.

To ensure the accuracy and relevance of the financial planning phase, an evaluation was undertaken by the Finance department to closely examine the current financial standing of uMfolozi Municipality and to ensure that this MTREF is economically and therefore financially sustainable from a practical perspective rather than the theoretical approach.

Often it is not the figures per se which are important but the analysis and background understanding of the figures and the trends shown within the local context that actually matter. It is this that determines local policy setting and implementation. There is no one size fits all in local government.

Despite the on-going economic concerns, uMfolozi Local Municipality continues to grow but so do the demands of all its residents. What is coming through profoundly in recent years is that more and more demands for services are coming from those areas where services and service standards were historically poor in comparison to more advantaged and well established areas. This is exactly why the constitutional mandate of local government places the emphasis on basic services and is the current and future reality of uMfolozi Municipality and of every other local authority in South Africa, however it also has to be clearly recognised by all that the established areas of uMfolozi Local Municipality have taken, in some instances, many years and millions of rands to reach their current mature service levels.

Background

uMfolozi local Municipality is one of six municipalities within the uThungulu District. The N2 national road passes through the Municipality which connects it to major towns such as Richards Bay and Durban. The significance of this road to the Municipality is that it serves as the major economic corridor in the area.

The municipality has an estimated population size of 122 889 of which 51.9% are women. The average population density is estimated at 88 people per km². The Municipality is adjacent to Richards Bay and Empangeni Complex. Its borders are: the Indian Ocean to the east; uMfolozi River to the north; Mhlana Tribal Authority to west and UMhlathuze Municipality to the south. It is characterized by three geographical districts portions which are: coastal: Sokhulu-uMfolozi Traditional Authorities; Commercial Plantations along the N2 and Mhlana Traditional Authority to the west.

The uMfolozi Municipal Area comprises a long flat coastal plain rising gently from the coast towards the west where it reaches a height of approximately 200 mass (metres above mean sea-level), the highest point being Kwamendo in the west at 381 mast.

The coastal plain is interspersed by high dunes and is further characterized by a number of short perennial rivers that originate within the area and either drain northwards towards the UMfolozi River or towards the coastal lakes in the vicinity of Richards Bay to the south. Two coastal lakes lie within the area, Lake Nhlabane on the coast and Lake Eteza towards the north.

uMfolozi Municipality is home to the poorest of the poor, which is evident in the average annual household income which is R4, 800 to R9, 600 (compared to an average annual household income of R19, 200 to R38, 400 in the EThekweni Metro).

- The population settlement trend is that people are generally settled in Traditional Authority areas.

- The incidence of Absentee Household members (according to the UDM QOLS 2009) in uMfolozi is 22, 26% which is higher than the uThungulu District average of 17%. This is indicative of people temporarily leaving the uMfolozi Municipal area for employment purposes. uMfolozi has a very youthful population, accounting for 48.4% or 58,671 persons.
- This has an implication in terms of types of services that might be needed to cater for this age group which impacts on the Municipal budgeting thereof.
- There has been a significant increase in the number of pensioner headed households since 2007 from 32.43% to 46.84%. Some reasons for this trend could be (1) parents working elsewhere, (2) deceased parents (3) the traditional culture of extended families as well as the (4) effects of migrant labour. In 2001, 30% of the total adult population in the Municipality had no formal education. This percentage has decreased to 24% in 2010.
- The incidence of HIV/Aids seems to have stabilized, this is in line with the notion that the disease is reaching maturity. The incidence of HIV/Aids reached its highest level in 2004, where after a decrease is observed. This could also be the result of the positive impact that the distribution of anti-retroviral medication had in the Municipal Area.

The table below indicates the projected revenues of the municipality for the MTREF period under review.

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	5 065	5 230	6 012	5 064	-	5 064	5 064	5 368	5 690	6 031
Property rates - penalties & collection charges		-	-	-	-	-	-	-	134	142	151
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	218	240	264	296	-	296	296	313	332	352
Service charges - other						-					
Rental of facilities and equipment		119	82	76	111	-	111	111	117	124	117
Interest earned - external investments		417	623	996	250	-	250	250	463	750	250
Interest earned - outstanding debtors		-	-	-							
Dividends received											
Fines		133	13	402	4 000	-	4 000	4 000	500	500	4 000
Licences and permits											
Agency services											
Transfers recognised - operational		44 638	46 656	58 832	73 150		73 150	73 150	98 402	100 624	100 065
Other revenue	2	331	795	1 843	21 331	-	21 331	21 331	26 320	7 120	2 161
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		50 921	53 639	68 426	104 201	-	104 201	104 201	131 618	115 282	113 128

Tariff-setting is a very important and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality. The proposed tariffs were discussed at length in the Budget Steering Committee meeting and a consensus was reached to increase the tariffs in such a way that it will have a minimal impact on the citizens. National Treasury, in its MFMA Circulars 70 and 72 issued in December 2013 and March 2014 respectively, continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 % upper boundary of the South African Reserve Bank's inflation target. Excessive increases are

likely to be counterproductive, resulting in higher levels of non-payment which will in turn result in a huge debtor's book.

The Equitable Share

In the 2014/15 financial year, an amount of R6,19 million that related to unspent MIG was offset against the municipality's July equitable share allocation by National Treasury. A portion of the equitable share of the municipality is being used to fund ad-hoc capital projects in the rural areas so that basic services can be provided to indigent communities.

Credit Control and Debt Collection

As per the adoption of the revenue enhancement strategy, there was a moratorium on full implementation of the credit control activities to allow the data cleansing process. Incentives to encourage debtors to settle their accounts were introduced. Through the initiatives the data cleansing was improved. It has been a year where better understanding of each debtor was a turnaround achievement. We are now looking forward to swiftly implement credit controls to reduce the debt level.

Billing

The section has been able through the successful utilisation of financial system to produce reporting information that has improved the presentation of deep seated problems of debtors thus enabling the focused decision by authorities. Data cleansing had been the main focus that will support the fight against non-payment of services.

Auditor-General

uMfolozi Local Municipality has now attained three unqualified audit reports three years in a row. We have not yet achieved a "clean" audit.

Notwithstanding this, uMfolozi Local Municipality has embraced the concept of "clean" governance and we will endeavour to attain a clean audit. A lot depends upon the capacitating the staff within the Finance Directorate and ultimately the decentralisation to and acceptance of financial responsibility by the various Council departments in their own right.

Compliance and clean audits require competent and quality staff at middle management. The Finance Directorate requires staff who are IT and financially multi-skilled.

Budget Summary

Most of the basic information surrounding this year's budget is set out in 'Table A1: Budget Summary' shown in Section 4 of this document.

The anticipated final outcome of the current 2015/16 budget is that Council will end with no surplus neither a deficit.

The operational budget for 2015/16 projects R101, 742 million, operating revenue R128, 61 million operating expenditure, R33,28 million of capital transfers and no surplus. Capital expenditure is budgeted at R63, 257 million.

The capital expenditure emphasis for 2015/16 remains on infrastructure. Of the R24, 382 million allocated for MIG projects in 2015/16, some R17 million is being earmarked for softer services such as Multi-Purpose Centres and the Thusong Services Centre. Expenditure on “heavy” infrastructures has previously been at the expense of our social and community backlogs. We would dearly like to change this approach to capital expenditures are inordinately expensive to fund and more importantly maintain each year, however the continued influx from the KZN and from across our borders is rapidly proving to be beyond our affordability.

New areas not previously within our IDP horizons are mushrooming and it is impossible for a local authority such as uMfolozi, with all our attendant financial constraints, with topography and natural environment that is too inefficient to properly consider economies of scale, to even contemplate providing additional basic services. The slight shift in MIG to social backlogs is therefore welcomed.

The municipality fully supports the very welcome movement by the Local Government to review its Housing funding strategy which will now enable uMfolozi to use more of the Housing grant for infrastructure rather than top structure purposes.

To-date uMfolozi has picked up the cost of the infrastructure associated with housing and this has created serious financial and service capacity concerns. However one area of concern is the recent statement by the Housing MEC that low cost houses transferred by a local authority should immediately be made available for re-sale by the resident. This raises potential legal issues regarding asset transfer and ownership.

The main challenges for the Municipality as per the situational analysis as per IDP relate to lack and or poor infrastructure services i.e. Roads, socio economic spatial and housing issues as well as the issues around social facilities and services. The capital expenditure emphasis for 2015/16 remains on the above mentioned issues. Expenditure on “heavy” infrastructures has previously been at the expense of our social and community backlogs.

Financial position and MTREF strategy

The financial position of uMfolozi Local Municipality is set out in ‘Table A6: Budgeted Financial Position’. It is projected that Council at the end of the 2015/16 financial year will close with an accumulated surplus.

Budget Circular No. 66 issued by National Treasury for the financial year 2014/15 makes mention however of the fact that municipality’s should look to having a cash reserve of three months. Whilst this sounds very good in theory the reality is that to achieve this uMfolozi will essentially have to remove some of its expenditure from the expenditure budget, or increase rates and tariffs by the same amount over the next 3 to 5 years.

Cash Flow

For a number of years ratios have shown that uMfolozi is one of the highly geared municipality's in South Africa.

Capital Budget

The capital budget for 2015/16 will total R63, 257 million of which R33.382 million is funded from national and provincial grants and R12, 875 R17 million from internally generated funds and borrowings respectively, which includes unspent borrowings. Council is continuing the process begun last year of rebuilding and up-grading municipal buildings and assets including sports fields, libraries and halls.

An amount of R17 million has been placed on the budget for the building and construction of the Thusong Centre. The other major capital projects for the next year are R6 million for roads, and other capital assets. All the above figures exclude VAT. The recent success of the ward project system in conjunction with Councillors and Ward committees has prompted Council to repeat the exercise. National Treasury insists that all the projects must be identified and specified in the budget if they are of a capital nature. The final projects and programmes will be included in the approved municipal budget and performance against the budget will be reviewed quarterly.

National Treasury has also indicated that a minimum of 40% of the capital budget should be for renewal as opposed to new infrastructure. The forthcoming budget indicates that renewal expenditure will amount to 0.01% (R5 million) of total capital expenditure. However, the following projects that are linked to form part of new assets are funded from government grants and total R33, 382 million. This means that the renewal of existing assets makes up 0.01% of the capital budget. What this indicates is that the infrastructure demands being placed upon the municipality are reaching an unhealthy point. We are spending more money simply in growing the municipality and also forgetting the importance of maintaining and sustaining the existing infrastructure. This further reinforces the need to review and reduce expenditure on issues that are not our functions or are not basic services.

Capital Expenditure Going Forward

The Council budget has now reached sufficient size that section 19 of the MFMA (Approval of Council Projects) read with Section 13 of the Municipal Budgets and Reporting Regulations (MBRR) become critical going forward.

Read together they mean that any project where the total projected cost will exceed R50 million must be individually prior approved by Council and all future financial implications of the project, including the impacts on future assessment rates and/or tariffs, must be made known in advance.

The reason for ensuring the full implications are known is obviously sustainability but it also reinforces the reasoning behind national government increasing the equitable share and also for the

proposal that 40% of the increase above CPI be channelled directly to repairs and maintenance and Councils.

Economic Development

There has been budgeted as a once-off in the Planning and Development Directorate to finalise the ISDF. This is, as said previously, the core Framework upon which Housing, Technical Services, Economic and Financial Planning will in future be based, as well as grounding future IDPs in a long term reality.

Council is also looking to bring greater clarity to the role the Expanded Public Works Programme (EPWP) can play in the municipality with its emphasis in job creation. The EPWP will be managed in the Economic Development Department but as with all externally funded programmes, reported on financially via the Finance Directorate. This ensures that there is no disjuncture in reporting to external funding providers and also ensures Council will not have audit issues in relation to accounting for grant expenditures.

Operating Expenditure

MFMA Circular No. 66 has also highlighted the following examples of non-priority expenditures that should be eliminated:

- i. excessive sponsorship of music festivals, sporting events, including the purchase of tickets to events for councillors and/or officials;
- ii. Public relations projects and activities that are not centred on actual service delivery or are not a municipal function (e.g. celebrations; gala dinners; commemorations, advertising and voter education);
- iii. LED projects that serve the narrow interests of only a small number of beneficiaries or fall within the mandates of other government departments such as the Department of Agriculture;
- iv. Excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- v. arranging workshops and events at expensive private venues, especially ones outside the municipality (as opposed to using the municipality's own venues);
- vi. Excessive printing costs (instead of maximising the use of the municipality's website, including providing facilities for the public to access the website);
- vii. Excessive luxurious office accommodation and office furnishings;

Operating Revenue

As can be seen from the above table, uMfolozi already has the fourth highest service charges in total per capital highlighting the concern to manage revenues.

Local government is in essence funded from three sources. Assessment rates, revenues from services and transfers from national government.

Tariff Implications of the Annual Budget

Refuse Tariff

The refuse tariff will be increased by 6% for both domestic and business consumers. It should be remembered that 50% of the refuse charge for domestic consumers is already contained in the assessment rate payable.

Assessment Rates

The increase in the rate in the rand will be 2% for domestic properties and for non-domestic properties. A new rate in the rand will be brought in for minor accommodation establishments as defined in Council's rating policy. The minor accommodation rate will be managed in future years in conjunction with the phasing out of the domestic rebate mentioned below. The rate in the rand for these establishments from 1 July 2013 will be set at 4% above the current rate in the rand for domestic properties.

Assessment Rate Rebates

The rebate currently applied to domestic owners will be reduced from 20% to 15%. This is in line with National Government view that rebates should only apply in particular circumstances. It is the intention to completely phase out the domestic rebate over the next four budgets.

There will be an increase in the first value of property exempted from rates from R65 000 to R100 000.

The current Rural Rebate of 30% will be reduced to 25%. This must also be phased out. Assessment rates are a tax on property value. They are not for services rendered or not rendered by a municipality. There is therefore no justification in maintaining a two tier rebate system indefinitely.

The Rural Rebate will therefore be reduced by a minimum of 5% per annum until fully phased-out. The current pensioner rebates will remain the same. They were significantly increased in recent years and the top level is well above the norm.

The criteria for the rebate will include:

- a) The nature area must be no less than 25 ha.
- b) The nature area must be (preferably) a separate registered cadastral unit or, at the least, must have a servitude registered over it if it remains part of a larger unit.
- c) There must be a title deed condition or a condition in the deed of servitude that requires that the nature area cannot be developed for a period of at least 50 years.

- d) The nature area must be a registered nature reserve or must be recognised as part of a formally registered conservancy.
- e) There must be an environmental management plan formally endorsed by a statutory conservation agency covering the nature area.
- f) The environmental management plan must provide for a formal audit of the management of the nature area at least once every five years. The rebate will only be applicable if these audits are up to date and confirm strict compliance with the environmental management plan.
- g) The area covered by the all the residential properties for which the rebate is claimed, together with the associated residential infrastructure may be no more than 25% of the area of whole property (the nature area, residential properties and area covered by residential infrastructure combined).

The onus is on the property owner claiming the rebate to show that all the criteria have been met and costs associated with the meeting of the criteria are for the account of the property owner.

No change is proposed to the Heritage Rebate.

No change is proposed to the New Business Rebate.

National, Provincial & District priorities

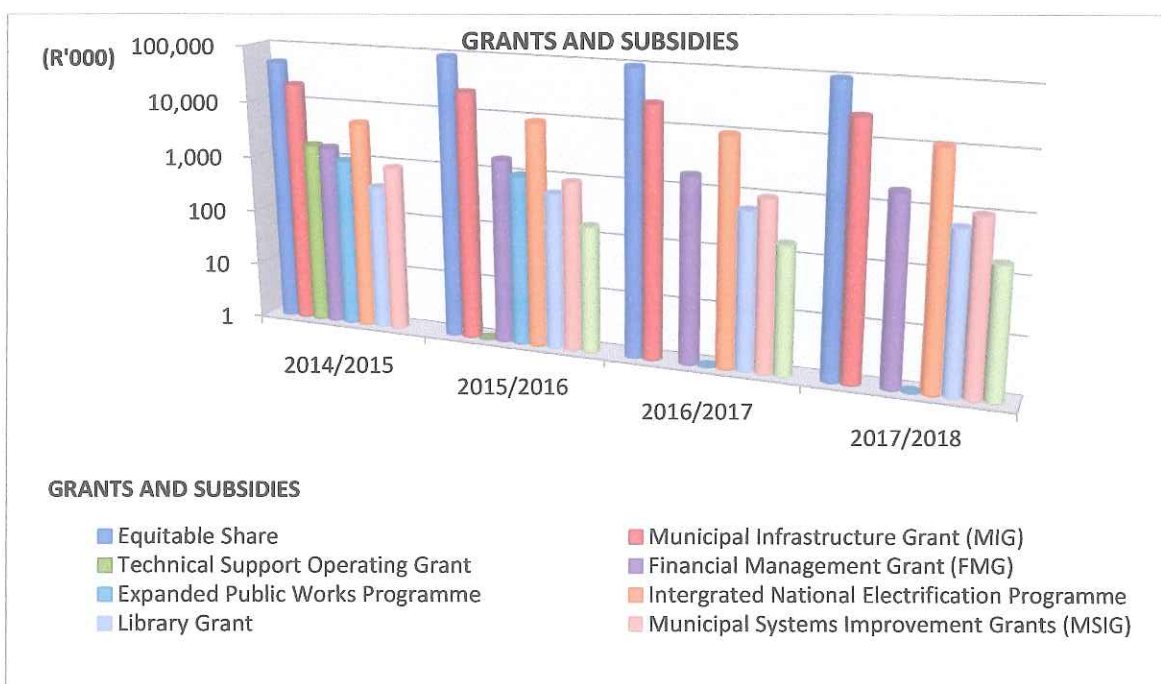
The National, Provincial and District Context

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in UMfolozi and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macroeconomic stability notwithstanding the current world economic situation, but our own local economy is still plagued with high levels of unemployment and poverty.

The following table shows the allocations to uMfolozi Local Municipality as set out in the National Division of Revenue Bill of 2013 in the MTEF period;

National Government

Grants		Medium Term Estimates			
		2014/2015	2015/2016	2016/2017	2017/2018
Equitable Share		50 392	93 949	97 078	97 479
Municipal Infrastructure Grant (MIG)		20 640	24 382	25 218	26 472
Technical Support Operating Grant		1 725	-		
Financial Management Grant (FMG)		1 650	1 800	1 825	1 900
Expanded Public Works Programme		1 000	1 000	-	-
Intergrated National Electrification Programme		5 000	9 000	9 500	11 000
Library Grant		372	553	582	612
Municipal Systems Improvement Grants (MSIG)		890	930	960	1 033
Community Library Services Grant			170	179	188
Total		81 669	131 784	135 342	138 684



Conclusion

The 2015/16 budget for uMfolozi Municipality is in line with the dictates of the National Treasury in that it is an austerity budget. UMfolozi remains a tourist venue and therefore closely subject to national economic conditions.

Explanatory notes to Budgeted Financial Position

1. Table below is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

3. The budgeted Community wealth or equity for the MTREF is R61 million, R43 million and R113 million for the 15/16, 16/17 and 17/18 financial years respectively.

4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		200	846	156	–	–	–	–	–	–	–
Call investment deposits	1	–	1 131	–	–	–	–	–	–	–	–
Consumer debtors	1	1 686	4 642	2 383	–	–	–	–	–	–	–
Other debtors		3 206	5 214	6 104	–	–	–	–	–	–	–
Current portion of long-term receivables											
Inventory	2										
Total current assets		5 092	11 833	8 643	–	–	–	–	–	–	–
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	61 505	72 344	95 724	60 652	–	–	60 652	61 257	43 268	43 372
Agricultural											
Biological											
Intangible			109	77	300		300	300	250	300	350
Other non-current assets									–		
Total non current assets		61 505	72 454	95 800	60 952	–	300	60 952	61 507	43 568	43 722
TOTAL ASSETS		66 597	84 287	104 443	60 952	–	300	60 952	61 507	43 568	43 722
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits											
Trade and other payables	4	25 589	26 904	21 457	–	–	–	–	–	–	–
Provisions											
Total current liabilities		25 589	26 904	21 457	–	–	–	–	–	–	–
Non current liabilities											
Borrowing		263	616	1 550	17 000	–	17 000	17 000	17 000	–	–
Provisions		–	–	–	–	–	–	–	–	–	–
Total non current liabilities		263	616	1 550	17 000	–	17 000	17 000	17 000	–	–
TOTAL LIABILITIES		25 852	27 520	23 007	17 000	–	17 000	17 000	17 000	–	–
NET ASSETS	5	40 745	56 767	81 436	43 952	–	(16 700)	43 952	44 507	43 568	43 722
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			11 659	26 864							
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	–	11 659	26 864	–	–	–	–	–	–	–

Cash Flow

For a number of years ratios have shown that uMfolozi is one of the low geared municipality's in South Africa.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The budgeted cash/cash equivalents are R-16,25m, R0,17m and R0.18m for the 2015/2016, 2016/2017 and 2017/2018 financial years respectively.

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		5 728	4 562	6 012	5 191		5 191	5 191	5 502	5 832	6 182
Service charges					296		296	296	313	332	352
Other revenue					442		442	442	7 648	2 595	4 513
Government - operating	1	43 609	55 792		73 150		73 150	73 150	78 020	106 624	107 265
Government - capital	1	15 236	9 399		28 452		28 452	28 452	33 382	34 718	37 472
Interest		—	—		250		250	250	500	500	281
Dividends									—	—	—
Payments											
Suppliers and employees		(46 527)	(59 502)		72 978		74 538	74 538	(98 243)	(109 505)	(111 304)
Finance charges		(495)	(66)		—		—	—	—	—	—
Transfers and Grants	1	—	—						—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		17 551	10 185	6 012	180 758	—	182 318	182 318	27 123	41 096	44 761
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		—	—						—	—	—
Decrease (Increase) in non-current debtors									—	—	—
Decrease (increase) other non-current receivables									—	—	—
Decrease (increase) in non-current investments		2 568	702						—	—	—
Payments											
Capital assets									(44 082)	(40 918)	(44 572)
NET CASH FROM/(USED) INVESTING ACTIVITIES		2 568	702	—	—	—	—	—	(44 082)	(40 918)	(44 572)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									—	—	—
Borrowing long term/refinancing									—	—	—
Increase (decrease) in consumer deposits									—	—	—
Payments											
Repayment of borrowing									—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	—	—	—	—	—	—
NET INCREASE/ (DECREASE) IN CASH HELD		20 119	10 887	6 012	180 758	—	182 318	182 318	(16 959)	178	189
Cash/cash equivalents at the year begin:	2	(194)	200	155					—	(16 959)	(16 781)
Cash/cash equivalents at the year end:	2	19 925	11 087	6 167	180 758	—	182 318	182 318	(16 959)	(16 781)	(16 592)

Section 4 – Annual Budget Tables

The intention of this Section is two-fold.

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2015/2016:

- Table A2: Budgeted Financial Performance (expenditure by standard classification)
 - Table A3: Budgeted Financial Performance (expenditure by municipal vote)
 - Table A4: Budgeted Financial Performance (revenue by source)
 - Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding
- Secondly, this section presents and explains the various tables that must be compiled as required by National Treasury.

Some of the tables are variations on a theme which will allow NT to put out macro statistics.

Whilst this is a good practice, it can become a tad repetitive at the micro or local level. It has therefore been decided to only comment on a table when there is something important or relevant to say.

Table A1 - Budget Summary

Total revenue before capital transfers and contributions will increase by 23% from last years' original budget and 23% from the final estimate.

Expenditure will have risen 35% on the same basis. Employee costs have risen by 30% on the 2015/16 adjustment budget figure. This includes an annual increase of 6.85% on basic remuneration however it also includes a freeze on the appointment of vacant posts in those Directorates with above increase staff budgets, until at least and until the Municipal Manager has begun the staffing review. Without this freeze the increase in staff costs would be in excess of 9% on the Adjustments Budget and would require another 2.5% rates rise.

The repairs and maintenance budget for 2015/16 will increase by 21.2% on the adjusted budget figure for 2015/16.

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Financial Performance										
Property rates	5 065	5 230	6 012	5 064	–	5 064	5 064	5 502	5 832	6 182
Service charges	218	240	264	296	–	296	296	313	332	352
Investment revenue	417	623	996	250	–	250	250	463	750	250
Transfers recognised - operational	44 638	46 656	58 832	73 150	–	73 150	73 150	98 402	100 624	100 065
Other own revenue	583	890	2 321	25 442	–	25 442	25 442	26 937	7 744	6 278
Total Revenue (excluding capital transfers and contributions)	50 921	53 639	68 426	104 201	–	104 201	104 201	131 618	115 282	113 128
Employee costs	15 581	17 113	21 865	25 244	1 748	22 980	24 351	31 596	36 488	39 186
Remuneration of councillors	6 060	6 499	6 988	7 435	–	7 435	7 435	7 772	8 124	8 493
Depreciation & asset impairment	–	–	5 742	2 000	–	2 000	2 000	1 750	3 742	2 000
Finance charges	495	66	177	–	–	–	–	–	–	–
Materials and bulk purchases	3 808	3 072	2 471	–	–	1 000	–	–	–	–
Transfers and grants	45	–	4 312	450	–	450	450	450	450	500
Other expenditure	36 562	24 789	30 301	39 409	(1 265)	40 674	40 303	60 176	57 929	58 195
Total Expenditure	62 551	51 539	71 856	74 538	483	74 538	74 538	101 743	106 732	108 374
Surplus/(Deficit)	(11 630)	2 100	(3 430)	29 663	(483)	29 663	29 663	29 875	8 550	4 753
Transfers recognised - capital	15 236	9 559	30 294	32 579	–	32 579	32 579	33 382	34 718	38 619
Contributions recognised - capital & contributed	–	–	–	(60 652)	–	(60 652)	(60 652)	(63 257)	(43 268)	(43 372)
Surplus/(Deficit) after capital transfers & contributions	3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0
Capital expenditure & funds sources										
Capital expenditure	–	–	–	60 652	–	–	–	63 257	43 268	43 372
Transfers recognised - capital	–	–	–	32 452	–	32 452	32 452	33 382	34 718	37 472
Public contributions & donations	–	–	–	4 000	–	4 000	4 000	–	–	–
Borrowing	–	–	–	17 000	–	17 000	–	17 000	–	–
Internally generated funds	–	–	–	7 200	–	7 200	7 200	12 875	8 550	5 900
Total sources of capital funds	–	–	–	60 652	–	60 652	43 652	63 257	43 268	43 372
Financial position										
Total current assets	5 092	11 833	8 643	–	–	–	–	–	–	–
Total non current assets	61 505	72 454	95 800	60 952	–	300	60 952	61 507	43 568	43 722
Total current liabilities	25 589	26 904	21 457	–	–	–	–	–	–	–
Total non current liabilities	263	616	1 550	17 000	–	17 000	17 000	17 000	–	–
Community wealth/Equity	–	11 659	26 864	–	–	–	–	–	–	–
Cash flows										
Net cash from (used) operating	17 551	10 185	6 012	180 758	–	182 318	182 318	27 123	41 096	44 761
Net cash from (used) investing	2 568	702	–	–	–	–	–	(44 082)	(40 918)	(44 572)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	19 925	11 087	6 167	180 758	–	182 318	182 318	(16 959)	(16 781)	(16 592)
Cash backing/surplus reconciliation										
Cash and investments available	200	1 977	158	–	–	–	–	–	–	–
Application of cash and investments	20 812	19 834	15 522	–	–	–	–	–	–	–
Balance - surplus (shortfall)	(20 612)	(17 857)	(15 366)	–	–	–	–	–	–	–
Asset management										
Asset register summary (WDV)	18 386	21 067	30 917	29 452	–	29 452	44 332	44 332	40 718	43 222
Depreciation & asset impairment	–	–	5 742	2 000	–	2 000	1 750	1 750	3 742	2 000
Renewal of Existing Assets	–	–	–	300	–	300	300	250	300	350
Repairs and Maintenance	–	–	–	4 050	(240)	2 840	–	–	–	–
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Table A2 - Budgeted Financial Performance (by standard classification)

If people are not prepared to assist at a personal level then essentially we are looking at fruitless and wasteful expenditure going forward. Clean-ups are not municipal exercises in job creation.

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Revenue - Standard										
<i>Municipal governance and administration</i>		49 125	54 482	68 693	76 351	–	76 351	112 395	114 021	111 328
Executive and council		–	–	–	5 470	–	5 470	930		
Mayor and Council										
Municipal Manager					5 470		5 470	930		
Budget and treasury office		49 125	54 482	68 693	70 881		70 881	111 465	114 021	111 328
Corporate services		–	–	–	–	–	–	–	–	–
Human Resources										
Information Technology										
Property Services										
Other Admin										
<i>Community and public safety</i>		14 475	17 558	30 027	6 122	–	6 122	2 223	1 261	1 800
Community and social services		14 475	17 558	30 027	6 122	–	6 122	2 223	1 261	1 800
Libraries and Archives										
Museums & Art Galleries etc										
Community halls and Facilities		14 475	17 558	30 027	6 122		6 122	2 223	1 261	1 800
Cemeteries & Crematoriums										
<i>Economic and environmental services</i>		124	1 000	–	54 307	–	54 307	50 382	34 718	38 618
Planning and development		124	1 000	–	–	–	–	–	–	–
Economic Development/Planning										
Town Planning/Building										
Licensing & Regulation										
Road transport		–	–	–	54 307	–	54 307	50 382	34 718	38 618
Roads										
Public Buses										
Parking Garages										
Vehicle Licensing and Testing										
Other					54 307		54 307	50 382	34 718	38 618
Total Revenue - Standard	2	63 724	73 040	98 720	136 780	–	136 780	165 000	150 000	151 746
Expenditure - Standard										
<i>Municipal governance and administration</i>		34 641	26 595	71 856	40 003	–	40 003	79 940	67 897	123 294
Executive and council		8 034	8 892	–	16 543	–	16 543	33 411	32 061	–
Mayor and Council		6 368	7 042		16 543		16 543	11 574	12 335	
Municipal Manager		1 666	1 850					21 863	19 726	
Budget and treasury office		14 658	17 703	71 856	16 363		16 363	35 062	25 114	123 294
Corporate services		11 949	–	–	7 096	–	7 096	11 467	10 722	–
Human Resources		11 949			7 096		7 096	7 033	7 755	
Information Technology										
Property Services										
Other Admin								4 433	2 967	
<i>Community and public safety</i>		26 850	29 515	–	17 517	–	17 517	17 065	18 450	–
Community and social services		26 850	29 515	–	17 517	–	17 517	17 065	18 450	–
Libraries and Archives										
Museums & Art Galleries etc										
Community halls and Facilities		26 850	29 515		17 517		17 517	17 065	18 450	
Cemeteries & Crematoriums										
Sport and recreation										
Health		–	–	–	–	–	–	–	–	–
Clinics										
Ambulance										
Other										
<i>Economic and environmental services</i>		–	–	–	17 018	–	17 018	67 995	63 653	28 452
Planning and development		–	–	–	–	–	–	–	–	–
Economic Development/Planning										
Town Planning/Building										
Licensing & Regulation										
Road transport		–	–	–	–	–	–	–	–	–
Roads										
Public Buses										
Parking Garages										
Vehicle Licensing and Testing										
Other										
Environmental protection		–	–	–	17 018	–	17 018	67 995	63 653	28 452
Pollution Control										
Biodiversity & Landscape										
Other					17 018		17 018	67 995	63 653	28 452
Total Expenditure - Standard	3	61 491	56 110	71 856	74 538	–	74 538	165 000	150 000	151 746
Surplus/(Deficit) for the year		2 233	16 930	26 864	62 242	–	62 242	0	0	–

Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Revenue by Vote	1									
Vote 1 - EXECUTIVEAND COUNCIL		–	–	–	5 470	–	5 470	930	–	–
1.1 - EXECUTIVE					5 470		5 470	930		–
1.2 - COUNCIL										
Vote 2 - FINANCIAL SERVICES		49 125	54 482	68 893	70 881	–	70 881	111 465	114 021	111 328
2.1 - FINANCE		49 125	54 482	68 893	70 881		70 881	111 465	114 021	111 328
Vote 3 - CORPORATE SERVICES		1 400	1 000	–	–	–	–	–	–	–
3.1 - HUMAN RESOURCES										
3.2 - COMMITTEE AND ADMINISTRATION		1 400	1 000							
Vote 4 - COMMUNITY SERVICES		–	–	–	6 122	–	6 122	2 223	1 261	1 800
4.1 - OFFICE OF THE DIRECTOR AND ADMINISTRATION					6 122		6 122	2 223	1 261	1 800
4.2 - WASTE MANAGEMENT										
4.3 - DISASTER MANAGEMENT										
4.4 - LICENSING AND TRAFFIC MANAGEMENT										
Vote 5 - TECHNICAL SERVICES		14 475	17 558	30 027	54 307	–	54 307	50 382	34 718	38 618
5.1 - TECHNICAL ADMINISTRATION		14 475	17 558	30 027	54 307		54 307	50 382	34 718	38 618
Total Revenue by Vote	2	65 000	73 040	98 920	136 780	–	136 780	165 000	150 000	151 746
Expenditure by Vote	1									
Vote 1 - EXECUTIVEAND COUNCIL		8 034	8 892	–	16 543	–	16 543	33 438	32 061	33 689
1.1 - EXECUTIVE		8 034	8 892		16 543		16 543	21 863	19 726	33 689
1.2 - COUNCIL								11 574	12 335	
Vote 2 - FINANCIAL SERVICES		14 658	17 703	71 856	16 363	–	16 363	34 916	25 114	22 447
2.1 - FINANCE		14 658	17 703	71 856	16 363		16 363	34 916	25 114	22 447
Vote 3 - CORPORATE SERVICES		11 949	–	–	7 096	–	7 096	11 477	10 722	12 811
3.1 - HUMAN RESOURCES		11 949			7 096		7 096	7 038	7 755	12 811
3.2 - COMMITTEE AND ADMINISTRATION								4 438	2 967	
Vote 4 - COMMUNITY SERVICES		26 850	29 515	–	17 517	–	17 517	17 065	18 450	19 973
4.1 - OFFICE OF THE DIRECTOR AND ADMINISTRATION		26 850	29 515		17 517		17 517		5 008	19 973
4.2 - WASTE MANAGEMENT								1 875	2 757	
4.3 - DISASTER MANAGEMENT									4 028	
4.4 - LICENSING AND TRAFFIC MANAGEMENT								15 190	6 658	
Vote 5 - TECHNICAL SERVICES		–	–	–	17 018	–	17 018	68 105	63 653	62 825
5.1 - TECHNICAL ADMINISTRATION					17 018		17 018	68 105	63 653	62 825
Total Expenditure by Vote	2	61 491	56 110	71 856	74 537	–	74 537	165 000	150 000	151 746
Surplus/(Deficit) for the year	2	3 509	16 930	27 064	62 243	–	62 243	(0)	0	

The various points of note within this table are the following.

Revenue

- Vote 2 - Financial Services: The main increase is obviously as a result of the impact of the domestic rebate reduction and this can also be noted in the outer years.
- Vote 4 – Community Services: the impact of traffic fine revenues.
- Vote 5 – Technical Services: Main increase is as a result of the increased grant allocated by provincial government for the

Expenditure

- Vote 5– Community Services: The clean- up and contract staff conversion.

Table A4 - Budgeted Financial Performance (revenue and expenditure)

R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	5 065	5 230	6 012	5 064	–	5 064	5 064	5 368	5 690	6 031
Property rates - penalties & collection charges		–	–	–	–	–	–	–	134	142	151
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	218	240	264	296	–	296	296	313	332	352
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		119	82	76	111	–	111	111	117	124	117
Interest earned - external investments		417	623	996	250	–	250	250	463	750	250
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		133	13	402	4 000	–	4 000	4 000	500	500	4 000
Licences and permits		–	–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		44 638	46 656	58 832	73 150	–	73 150	73 150	98 402	100 624	100 065
Other revenue	2	331	795	1 843	21 331	–	21 331	21 331	26 320	7 120	2 161
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		50 921	53 639	68 426	104 201	–	104 201	104 201	131 618	115 262	113 128
Expenditure By Type											
Employee related costs	2	15 581	17 113	21 885	25 244	1 748	22 980	24 351	31 596	36 488	39 186
Remuneration of councillors		6 060	6 499	6 988	7 435	–	7 435	7 435	7 772	8 124	8 493
Debt impairment	3	–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment	2	–	–	5 742	2 000	–	2 000	2 000	1 750	3 742	2 000
Finance charges		495	66	177	–	–	–	–	–	–	–
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	3 808	3 072	2 471	–	–	1 000	–	–	–	–
Contracted services		–	860	1 934	1 550	(710)	2 260	2 260	3 800	3 280	4 488
Transfers and grants		45	–	4 312	450	–	450	450	450	450	500
Other expenditure	4, 5	36 562	23 929	28 367	37 859	(555)	38 414	38 043	56 376	54 649	53 707
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		62 551	51 539	71 856	74 538	483	74 538	74 538	101 743	106 732	108 374
Surplus/(Deficit)		(11 630)	2 100	(3 430)	29 663	(483)	29 663	29 663	29 875	8 550	4 753
Transfers recognised - capital		15 236	9 559	30 294	32 579	–	32 579	32 579	33 382	34 718	38 619
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	(60 652)	–	(60 652)	(60 652)	(63 257)	(43 268)	(43 372)
Surplus/(Deficit) after capital transfers & contributions		3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		3 606	11 659	26 864	1 590	(483)	1 590	1 590	(0)	0	0

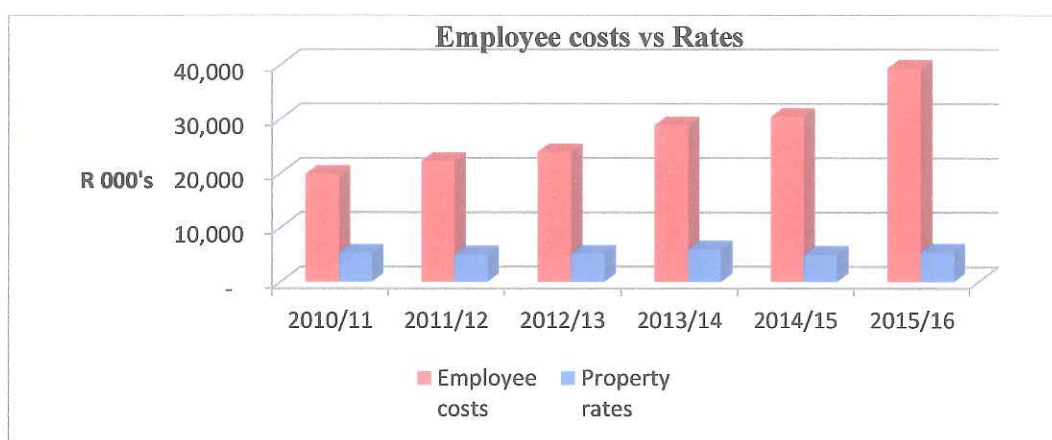
The issues of note on this table are (original budget to new budget):

- a) 9.1% increase in employee costs which incorporates the contract staff. Staff costs now amount to 39% of operating expenditure,
- b) 8.2% increase in debt impairment
- c) 11.2% increase in bulk purchases
- d) 29.1% increase in contracted costs

The table below shows the relationship between property rates and employee costs since 2010/11 through the duration of the MTREF.

%	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Property rates	5 380	5 065	5 229	6 012	5 064	5 368
Employee costs	19 804	22 243	23 904	28 853	30 414	39 368
% Rates/Ecs	27%	23%	22%	21%	17%	14%

Graphical presentation



Council had stabilised the relationship between rates and salaries at approximately 90%. However, The MTREF is now indicating that even with very strict staff monitoring the ratio at 90% is coming under stress. This is at the expense of service delivery

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2011/12	2012/13	2013/14	Budget Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	5 700	-	-	5 700	21 575	19 250	5 900
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	53 452	-	-	53 452	100 764	78 834	28 452
Capital multi-year expenditure sub-total	7	-	-	-	59 152	-	-	59 152	122 339	98 084	34 352
Total Capital Expenditure - Vote		-	-	-	59 152	-	-	59 152	122 339	98 084	34 352
Capital Expenditure - Standard											
Governance and administration		-	-	-	32 200	-	-	-	12 875	14 816	14 920
Executive and council										2 500	
Budget and treasury office					32 200				12 875	12 316	14 920
Corporate services											
Other					28 452				50 382	28 452	28 452
Total Capital Expenditure - Standard	3	-	-	-	60 652	-	-	-	63 257	43 268	43 372
Funded by:											
National Government					28 452	-	28 452	28 452	33 382	34 718	37 472
Provincial Government					4 000	-	4 000	4 000			
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	32 452	-	32 452	32 452	33 382	34 718	37 472
Public contributions & donations	5				4 000		4 000	4 000			
Borrowing	6				17 000		17 000		17 000		
Internally generated funds					7 200	-	7 200	7 200	12 875	8 550	5 900
Total Capital Funding	7	-	-	-	60 652	-	60 652	43 652	63 257	43 268	43 372

Table A6 – Budgeted Financial Position

The following three tables namely A6, A7 and A8 below are probably the most important in this whole document. As a result all comments have been reserved until after table A8 and refer to all three of the tables.

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		200	846	156	–	–	–	–	–	–	–
Call investment deposits	1	–	1 131	–	–	–	–	–	–	–	–
Consumer debtors	1	1 686	4 642	2 383	–	–	–	–	–	–	–
Other debtors		3 206	5 214	6 104	–	–	–	–	–	–	–
Current portion of long-term receivables											
Inventory	2										
Total current assets		5 092	11 833	8 643	–	–	–	–	–	–	–
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	61 505	72 344	95 724	60 652	–	–	60 652	61 257	43 268	43 372
Agricultural											
Biological											
Intangible			109	77	300		300	300	250	300	350
Other non-current assets									–		
Total non current assets		61 505	72 454	95 800	60 952	–	300	60 952	61 507	43 568	43 722
TOTAL ASSETS		66 597	84 287	104 443	60 952	–	300	60 952	61 507	43 568	43 722
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits											
Trade and other payables	4	25 589	26 904	21 457	–	–	–	–	–	–	–
Provisions											
Total current liabilities		25 589	26 904	21 457	–	–	–	–	–	–	–
Non current liabilities											
Borrowing		263	616	1 550	17 000	–	17 000	17 000	17 000	–	–
Provisions		–	–	–	–	–	–	–	–	–	–
Total non current liabilities		263	616	1 550	17 000	–	17 000	17 000	17 000	–	–
TOTAL LIABILITIES		25 852	27 520	23 007	17 000	–	17 000	17 000	17 000	–	–
NET ASSETS	5	40 745	56 767	81 436	43 952	–	(16 700)	43 952	44 507	43 568	43 722
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			11 659	26 864							
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	–	11 659	26 864	–	–	–	–	–	–	–

Table A7 - Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		5 728	4 562	6 012	5 191		5 191	5 191	5 502	5 832	6 182
Service charges					296		296	296	313	332	352
Other revenue					442		442	442	7 648	2 595	4 513
Government - operating	1	43 609	55 792		73 150		73 150	73 150	78 020	106 624	107 265
Government - capital	1	15 236	9 399		28 452		28 452	28 452	33 382	34 718	37 472
Interest		—	—		250		250	250	500	500	281
Dividends									—	—	—
Payments											
Suppliers and employees		(46 527)	(59 502)		72 978		74 538	74 538	(98 243)	(109 505)	(111 304)
Finance charges		(495)	(66)		—		—	—	—	—	—
Transfers and Grants	1	—	—						—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		17 551	10 185	6 012	180 758	—	182 318	182 318	27 123	41 096	44 761
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		—	—						—	—	—
Decrease (Increase) in non-current debtors									—	—	—
Decrease (increase) other non-current receivables									—	—	—
Decrease (increase) in non-current investments		2 568	702						—	—	—
Payments											
Capital assets									(44 082)	(40 918)	(44 572)
NET CASH FROM/(USED) INVESTING ACTIVITIES		2 568	702	—	—	—	—	—	(44 082)	(40 918)	(44 572)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									—	—	—
Borrowing long term/refinancing									—	—	—
Increase (decrease) in consumer deposits									—	—	—
Payments											
Repayment of borrowing									—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	—	—	—	—	—	—
NET INCREASE/ (DECREASE) IN CASH HELD		20 119	10 887	6 012	180 758	—	182 318	182 318	(16 959)	178	189
Cash/cash equivalents at the year begin:	2	(194)	200	155					—	(16 959)	(16 781)
Cash/cash equivalents at the year end:	2	19 925	11 087	6 167	180 758	—	182 318	182 318	(16 959)	(16 781)	(16 592)

Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	19 925	11 087	6 167	180 758	–	182 318	182 318	(16 959)	(16 781)	(16 592)
Other current investments > 90 days		(19 725)	(9 110)	(6 012)	(180 758)	–	(182 318)	(182 318)	16 959	16 781	16 592
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		200	1 977	155	–	–	–	–	–	–	–
Application of cash and investments											
Unspent conditional transfers		2 088	11 225	9 935	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	18 724	8 609	5 588	–	–	–	–	–	–	–
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		20 812	19 834	15 522	–	–	–	–	–	–	–
Surplus(shortfall)		(20 612)	(17 857)	(15 366)	–	–	–	–	–	–	–

The anticipated consumer debtors figure of R60.7 million (table A6) at the end of 2015/16 is the net figure as it includes the bad debt or debt impairment provisions totalling R53.7 million (for more information see 'Supporting Table SA3: Supporting detail to 'Budgeted Financial Position').

The MTREF for last year pointed out the concerns that far more attention needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days. After that point debt recovery, especially on services other than rates, refuse becomes very problematic.

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	300	-	300	250	300	350
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	300	-	300	250	300	350
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	300	-	300	250	300	350
TOTAL CAPITAL EXPENDITURE - Asset class	2	-	-	-	300	-	300	250	300	350
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other										
Infrastructure						-				
Community		15 236	17 558	25 140	23 452		23 452	33 382	34 718	37 472
Heritage assets						-				
Investment properties						-				
Other assets		3 150	3 400	5 700	5 700		5 700	10 700	5 700	5 400
Agricultural Assets						-				
Biological assets						-				
Intangibles			109	77	300	-	300	250	300	350
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	18 386	21 067	30 917	29 452	-	29 452	44 332	40 718	43 222
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		-	-	5 742	2 000	-	2 000	1 750	3 742	2 000
Repairs and Maintenance by Asset Class	3	-	-	-	4 050	(240)	2 840	-	-	-
Infrastructure - Road transport		-	-	-	500		500	-	-	-
Infrastructure - Electricity		-	-	-	-		-	-	-	-
Infrastructure - Water		-	-	-	-		-	-	-	-
Infrastructure - Sanitation		-	-	-	-		-	-	-	-
Infrastructure - Other		-	-	-	1 450		-	-	-	-
Infrastructure		-	-	-	1 950	-	500	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	-	-	-	2 100	(240)	2 340	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		-	-	5 742	6 050	(240)	4 840	1 750	3 742	2 000
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	15.0%	0.0%	15.0%	14.3%	8.0%	17.5%
R&M as a % of PPE		0.0%	0.0%	0.0%	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		0.0%	0.0%	0.0%	15.0%	0.0%	11.0%	1.0%	1.0%	1.0%

FINAL MTREF 2015/2016 – 2017/2018

PART 2 – SUPPORTING DOCUMENTATION

Section 1 – Overview of Annual Budget Process

Annual planning processes

The CFO has stated in a number of budgets that in an economic downturn coupled with excessive increases for electricity then the financial elements of the IDP get turned on their head and makes the whole IDP and budget process a scarce resource allocation exercise as opposed to a proper planning one.

In recent years the operating budget of uMfolozi has been driven totally on the premise of cash flow and consumer affordability. Throughout South Africa there are municipalities in financial meltdown because of bad budgeting and by extension bad financial management. A bad budget automatically leads to increased non-payment and pressured cash flows.

The cash basis which we follow means that outside of those expenditures we cannot cut, for example salaries, interest and redemption payments, the balance of the budget which is for repairs and maintenance, stores and materials and other expenditures simply to make the municipality function, is zero-based. In this budget repairs and maintenance has again deliberately been prioritised to ensure a higher level of service delivery at the expense of “soft” services.

Budget Process 2015/16

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2012 as required.

The draft budget was tabled in Council on 28 March 2015. A period of consultation then followed as per the dictates of Sections 22 and 23 of the MFMA.

At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget. The Municipality’s budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Section 2 – Allocations and Grants made by the Municipality

Allocations Made by the Municipality

Refer to Annexure 2, ‘Supporting Table SA21: Transfers and grants made by the municipality’. The main allocation is to Tourism which is budgeted to receive R 450 000 in 2015/16 less an advance payment of R300 000 approved in the 2014/15 financial year. Tourism is an independent Section 21 company tasked with marketing the municipality as a destination centre. For much of the last decade this marketing has been highly successful and has become a premier holiday centre for domestic and international visitors.

Section 3 – Councillor Allowances and Employee Benefits

Refer to Annexure 2, ‘Supporting Table SA22: Summary councillor and staff benefits’ and ‘Supporting Table SA23: Salaries, allowances & benefits (political office bearers/councillors/senior managers)’ for further details. The salary increase for 2015/16 for managers and staff is budgeted at 5.8% on the original funded budget for 2015/16 resulting in a total cost of R39.34million. The budgeted increase for the fixed remuneration component to permanent staff is 6.85%.

Section 4 – Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2 in the following Supporting Tables:

Monthly operating budget revenue and expenditure projections

‘Supporting Table SA25: Budgeted monthly revenue and expenditure’ reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years.

Section 5 – Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1st July 2004. The Act modernises budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services. The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. uMfolozi has been designated as a medium capacity municipality.

The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury’s guide to the MFMA.

The budget preparation process

The Mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months prior to the start of each financial year.

Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality’s current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grants allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January. This allows time during January, February and March for preliminary consultation and discussion on the draft budget.

Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March. Publication of the draft budget Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

Adoption of the annual budget

The Council must consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval.

If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved – before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

Budget Implementation

Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

Managing the implementation process

The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Variation from budget estimates

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

Revision of budget estimates – the adjustments budget

It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.

In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.

The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

Requirements of the MFMA relating to the contents of annual budgets and supporting documentation

Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the disclosure requirements.

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality budgeting; The Division of Revenue Act 2010 and Provincial Budget Announcements Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget. Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems

Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process. Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy.

Section 6 Budget Related Policies

The budget related policies has been drafted and will be workshop to Council before 30 June 2015. This was also incorporated in the Council agenda on the 29 May 2015 and Councillors noted that item on budget and the budget was approved on that date.

Section 7 – Municipal Manager’s Quality Certification

An annual budget and supporting documentation must be covered by a quality certificate in the format as per page 68 of the Government Gazette 32141 - 17 April 2009.

QUALITY CERTIFICATE

I, Mr KE Gamede, Municipal Manager of uMfolozi Local Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature 

Date: 12-06-2015